

### ***Caution: DRAFT FORM***

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If you have any comments on this draft form, you can submit them to us on our web site. Include the word DRAFT in your response. You may make comments anonymously, or you may include your name and e-mail address or phone number. We will be unable to respond to all comments due to the high volume we receive. However, we will carefully consider each suggestion. So that we can properly consider your comments, please send them to us within 30 days from the date the draft was posted.

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# Publication 721 Draft Worksheets

These draft worksheets from Publication 721, Tax Guide to U.S. Civil Service Retirement Benefits, for tax year 2006, are only available on the Internet. Since they are drafts, they are subject to change. If a worksheet is revised, it will be reposted only if there is a change in the computation. When the final version of Publication 721 becomes available, these drafts will be removed.

**Worksheet A, Simplified Method.** You use this worksheet to figure the taxable part of your pension or annuity.

**Worksheet B, Lump-Sum Payment.** You use this worksheet to figure the taxable part of your lump sum payment.

**Worksheet C, Limited Taxable Amount for Nonresident Alien.** If you are a nonresident alien, use this worksheet to figure the limited taxable amount of payments received from the CSRS, the FERS, or the TSP.

**Worksheet D, Lump-Sum Payment at End of Survivor Annuity.** You use this worksheet to figure the taxable amount of a lump-sum payment received at the end of a survivor annuity.

**Worksheet E, Lump-Sum Payment at End of Retirees' Annuity (With No Survivor Annuity).** You use this worksheet to figure the taxable part of a lump-sum payment made to an estate or other beneficiary.

**Comments and suggestions.** We welcome your comments about these worksheets.

You can write to us at the following address:

Internal Revenue Service  
Individual Forms and Publications Branch  
SE:W:CAR:MP:T:I  
1111 Constitution Ave. NW, IR-6406  
Washington, DC 20224

We respond to many letters by telephone. Therefore, it would be helpful if you would include your daytime phone number, including the area code, in your correspondence.

You can email us at [\\*taxforms@irs.gov](mailto:*taxforms@irs.gov). (The asterisk must be included in the address.) Please put "Publications Comment" on the subject line. Although we cannot respond individually to each email, we do appreciate your feedback and will consider your comments as we revise our tax products.



1. Enter the total pension or annuity payments received this year. Also, add this amount to the total for line 16a of Form 1040, line 12a of Form 1040A, or line 17a of Form 1040NR ..... 1. \_\_\_\_\_
2. Enter your cost in the plan at the annuity starting date, plus any death benefit exclusion\* ..... 2. \_\_\_\_\_
- Note:** If your annuity starting date was **before this year** and you completed this worksheet last year, skip line 3 and enter the amount from line 4 of last year's worksheet on line 4 below. Otherwise, go to line 3.
3. Enter the appropriate number from Table 1 below. But if your annuity starting date was after 1997 and the payments are for your life **and** that of your beneficiary, enter the appropriate number from Table 2 below. .... 3. \_\_\_\_\_
4. Divide line 2 by the number on line 3. .... 4. \_\_\_\_\_
5. Multiply line 4 by the number of months for which this year's payments were made. If your annuity starting date was **before** 1987, skip lines 6 and 7 and enter this amount on line 8. Otherwise go to line 6 ..... 5. \_\_\_\_\_
6. Enter any amounts previously recovered tax free in years after 1986. This is the amount shown on line 10 of your worksheet for last year ..... 6. \_\_\_\_\_
7. Subtract line 6 from line 2 ..... 7. \_\_\_\_\_
8. Enter the **smaller** of line 5 or line 7 ..... 8. \_\_\_\_\_
9. **Taxable amount for year.** Subtract line 8 from line 1. Enter the result, but not less than zero. Also, add this amount to the total for line 16b of Form 1040 or line 12b of Form 1040A. If you are a nonresident alien, also enter this amount on line 1 of Worksheet C. If your Form CSA 1099R or Form CSF 1099R shows a larger amount, use the amount on this line instead ..... 9. \_\_\_\_\_
10. Was your annuity starting date before 1987?  
☐ Yes. **STOP** Do not complete the rest of this worksheet.  
☐ No. Add lines 6 and 8. This is the amount you have recovered tax free through 2006. You will need this number if you need to fill out this worksheet next year ..... 10. \_\_\_\_\_
11. **Balance of cost to be recovered.** Subtract line 10 from line 2. If zero you will not have to complete this worksheet next year. The payments you receive next year will be fully taxable ..... 11. \_\_\_\_\_

Table 1 for Line 3 Above

IF your age on your annuity starting date was .....	AND your annuity starting date was—	
	before November 19, 1996, THEN enter on line 3 .....	after November 18, 1996, THEN enter on line 3 .....
55 or under	300	360
56–60	260	310
61–65	240	260
66–70	170	210
71 or over	120	160

Table 2 for Line 3 Above

IF the annuitants' combined ages on your annuity starting date were .....	THEN enter on line 3 .....
110 or under	410
111–120	360
121–130	310
131–140	260
141 or over	210

\* A death benefit exclusion up to \$5,000 applied to certain benefits received by survivors of employees who died before August 21, 1996.

## Worksheet B. Lump-Sum Payment

See the instructions in Part II of this publication under *Alternative Annuity Option*.

Keep for Your Records



1. Enter your lump-sum credit (your cost in the plan at the annuity starting date) . . . . . 1. \_\_\_\_\_
2. Enter the present value of your annuity contract . . . . . 2. \_\_\_\_\_
3. Divide line 1 by line 2 . . . . . 3. \_\_\_\_\_
4. **Tax-free amount.** Multiply line 1 by line 3. (*Caution: Do not include this amount on line 6 of Worksheet A in this publication.*) . . . . . 4. \_\_\_\_\_
5. **Taxable amount (net cost in the plan).** Subtract line 4 from line 1. Include this amount in the total on line 16b of Form 1040, line 12b of Form 1040A, or line 17b of Form 1040NR. Also, enter this amount on line 2 of Worksheet A in this publication. . . . . 5. \_\_\_\_\_

## Worksheet C. Limited Taxable Amount for Nonresident Alien

Keep for Your Records



1. Enter the otherwise taxable amount of the CSRS or FERS annuity (from line 9 of Worksheet A) or TSP distributions 1. \_\_\_\_\_
2. Enter the total U.S. Government basic pay **other than** tax-exempt pay for services performed outside the United States . . . . . 2. \_\_\_\_\_
3. Enter the total U.S. Government basic pay for all services . . . . . 3. \_\_\_\_\_
4. Divide line 2 by line 3 . . . . . 4. \_\_\_\_\_
5. **Limited taxable amount.** Multiply line 1 by line 4. Enter this amount on Form 1040NR, line 17b . . . . . 5. \_\_\_\_\_

## Worksheet E. Lump-Sum Payment at End of Retirees' Annuity (With No Survivor Annuity)

Keep for Your Records



1. Enter the lump-sum payment . . . . . 1. \_\_\_\_\_
2. Enter the amount of annuity received tax free by the retiree . . . . . 2. \_\_\_\_\_
3. Add lines 1 and 2 . . . . . 3. \_\_\_\_\_
4. Enter the total cost . . . . . 4. \_\_\_\_\_
5. **Taxable amount.** Subtract line 4 from line 3. Enter the result, but not less than zero . . . . . 5. \_\_\_\_\_

## Worksheet D. Lump-Sum Payment at End of Survivor Annuity

Keep for Your Records



1. Enter the lump-sum payment . . . . . 1. \_\_\_\_\_
2. Enter the amount of annuity previously received tax free . . . . . 2. \_\_\_\_\_
3. Add lines 1 and 2 . . . . . 3. \_\_\_\_\_
4. Enter the employee's total cost . . . . . 4. \_\_\_\_\_
5. **Taxable amount.** Subtract line 4 from line 3. Enter the result, but not less than zero . . . . . 5. \_\_\_\_\_